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November 3, 2000

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**BY HAND**

Magalie Roman Salas, Esquire  
Secretary  
Federal Communications Commission  
The Portals  
445 12<sup>th</sup> Street, SW, Room TWB204  
Washington, D.C. 20554

**Re: CC Docket 96-45  
Comments of Roseville Telephone Company on the  
Recommendation of the Rural Task Force**

Dear Ms. Salas:

On behalf of Roseville Telephone Company, and in response to the Commission's *Public Notice*, FCC-00J-3 released October 4, 2000, I am hereby filing an original and four copies of the Comments of Roseville Telephone Company on the Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service.

If there be any questions regarding this matter, please contact me.

Sincerely,



Paul J. Feldman  
Counsel for  
Roseville Telephone Company

PJF.jpg

Enclosures

cc: Certificate of Service  
Ms. Sheryl Todd, Accounting Policy Division (3 copies)  
Mr. Jack Day  
Mr. Glenn Brown  
ITS (w/ diskette)

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In the Matter of the )  
The Federal-State Joint Board )  
On Universal Service ) CC Docket No. 96-45  
 )  
Recommendation of the )  
Rural Task Force )

**COMMENTS OF ROSEVILLE TELEPHONE COMPANY  
ON THE RECOMMENDATION OF THE RURAL TASK FORCE**

Roseville Telephone Company, by its counsel, hereby responds to the *Public Notice* (FCC-00J-3, released October 4, 2000) seeking comments on the Recommendation of the Rural Task Force ("RTF") filed with the Federal-State Joint Board on Universal Service on September 29, 2000. Roseville believes that the RTF has done a commendable job of balancing the diverse needs represented on the Task Force and has developed a plan that will help to assure affordable and advancing telecommunications services for customers of the nation's small and mid-size local exchange carriers. While Roseville does not agree with every aspect of their proposed plan, it believes that the RTF Recommendation moves in the right direction, and will facilitate the resolution of critical issues for the smaller non-price cap companies.

With 132,000 access lines Roseville does not meet the definition of “rural telephone company” contained in Section 3(37) of the Communications Act. Roseville is on record, however, with a Petition for Reconsideration to the Tenth Report and Order in CC Dockets 96-45 and 97-160 that seeks to change the break point between large and small companies for purposes of determining Federal high-cost support to 200,000 lines, a level that recognizes that the smallest of the non-rural study areas experience financial impacts more like those of the rural carriers than those of the giant RBOCs. Should the Commission grant Roseville’s Petition, Roseville would be subject to the provisions recommended by the RTF.

One of the most important findings in the RTF Recommendation is its conclusion that the proxy model developed for the large non-rural carriers is not appropriate for the smaller carriers. These conclusions were based upon a comprehensive study of the model and are documented in Rural Task Force White Paper 4 *A Review of the FCC’s Non-Rural Universal Service Fund Method and the Synthesis Model for Rural Companies*. In the main body of the Recommendation the RTF finds:

“The aggregate results of this study suggest that, when viewed on an individual rural wire center or individual Rural Carrier basis, the costs generated by the Synthesis Model are likely to vary widely from reasonable estimates of forward-looking costs.”<sup>1</sup>

In White Paper 4, the RTF provides additional insight into why it reached its conclusion regarding the applicability of the model:

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<sup>1</sup> Rural Task Force Recommendation to the Federal-State Joint Board on Universal Service Released September 29, 2000, Page 18.

“The ‘Law of Large Numbers’ suggests that for the RBOCs those wire centers where the support results are too high will tend to offset those which are too low, resulting in a reasonable result. This is not the case for many Rural Carriers who serve only a few wire centers, or in some cases, a single wire center.”<sup>2</sup>

Roseville wholeheartedly supports the RTF’s analysis and conclusions. A model built for and based on the cost data of the large RBOC holding companies cannot be expected to reasonably estimate the costs of a smaller company that lacks the same economies of scale and scope. Similarly, the imprecision of the model at the wire center level is not a major concern for a holding company with thousands of wire centers, but it is a critical flaw if attempts are made to use the model for the determination of support for smaller carriers with only a few wire centers.

Roseville supports the intent of the RTF in lifting the caps on the present Universal Service Fund (USF). Roseville is concerned, however, that after re-computing the support based upon year 2000 costs, indexed caps would be re-imposed, albeit with “safety net” and “safety valve” mechanisms. Roseville believes that as long as carriers are regulated on a rate-of-return basis, that each company’s support should be based upon their individual investment and costs. The present cap on the High Cost loop fund reduces the funding to all companies in the industry once the total fund reached the cap level. The recently filed MAG Plan<sup>3</sup> proposes a superior

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<sup>2</sup> Rural Task Force White Paper 4, Page 7.

<sup>3</sup> Petition For Rulemaking of the LEC Multi-Association Group, filed October 20, 2000

solution. Under the this plan a carrier electing optional incentive regulation would have its USF per line frozen, with an annual adjustment for inflation.

Roseville also supports the general intent of the principles stated in the RTF Recommendation for the reform of access charges. The Recommendation calls for the creation of a portable High Cost Fund III ("HCF III"). The RTF principles would determine "appropriate unit prices for access" with "differences between current interstate access revenues and the repriced interstate revenues...replaced by an uncapped HCF III".<sup>4</sup> The HCF III is similar to the Rate Averaging Support (RAS) element of the MAG Plan. For carriers opting for incentive regulation, the MAG plan would increase SLC charges similar to the CALLS plan for the price cap carriers, and establish a target composite access charge rate. The difference between current and proposed rates would be collected through the RAS which would be portable to CLECs.

Lastly, Roseville agrees with the portion of the RTF Recommendation that calls on the Commission to take immediate action to address the need for universal service and access charge reform for the smaller carriers. Roseville urges the FCC to promptly consider both the RTF Recommendation and the MAG Plan so that smaller carriers can have the certainty that they need to continue investing to better serve their customers.

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<sup>4</sup> Recommendation, Page 31.

## Conclusion

The RTF Recommendation is an important and positive step in the direction of assuring affordable and advanced telecommunications services for customers of the nation's small and mid-size local exchange carriers. Roseville supports the Recommendation, with modifications described above regarding caps on USF. Roseville also urges that the Commission to be mindful of the need for holistic reform of both high-cost support and access charges, and thus to consider consistency with the provisions of the MAG Plan when evaluating the Recommendations of the RTF.

Respectfully submitted,

ROSEVILLE TELEPHONE COMPANY



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November 3, 2000

## **CERTIFICATE OF SERVICE**

I, Joan P. George, a secretary in the law firm of Fletcher, Heald & Hildreth, do hereby certify that a true copy of the foregoing *Comments of Roseville Telephone Company on the Recommendations of the Rural Task Force* was sent this 3<sup>rd</sup> day of November, 2000, by hand where indicated and via United States First Class Mail, postage prepaid, to the following:

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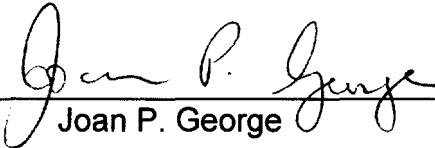
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